

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

LAPEER HOUSING COMMISSION

Financial Statements

June 30, 2005

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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This discussion and analysis of the Lapeer Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

### **Entity-Wide Statements**

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

### **Fund Statements**

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

### **Entity-Wide Financial Highlights**

The Commission was awarded and received the following Federal Assistance:

	<u>Year 2005</u>	<u>Year 2004</u>
Operating Subsidies	\$ 82,378	\$ 61,342
Section 8 Voucher Program	371,507	112,343
Capital Projects Funds	143,719	22,000

Comparison of the current year to the past and discussion of significant changes as follows:

	<u>Year 2005</u>	<u>Year 2004</u>	<u>Net Change</u>
Cash & cash equivalents	\$ 473,642	\$ 28,858	444,784
Accounts Receivable	13,953	2	13,951
Prepaid Expenses	12,177	10,601	1,576
Fixed Assets, prior to Depreciation	2,153,261	2,030,949	122,312
Total Liabilities	427,227	72,800	354,427
Net Assets	1,082,421	1,003,107	79,314

	<u>Year 2005</u>	<u>Year 2004</u>	<u>Net Change</u>
Revenues:			
Tenant Revenues	166,850	167,708	(858)
HUD Grants	597,604	195,685	401,919
Other Revenues	11,826	9,140	2,686
Expenses:			
Administrative	126,796	74,170	52,626
Tenant Services	210	975	(765)
Utilities	76,425	70,353	6,072
Maintenance & Operations	107,772	108,715	(943)
General Expenses	<u>21,960</u>	<u>20,708</u>	1,252
Total Operating Expenses	<u>333,163</u>	<u>274,921</u>	58,242
Depreciation Expense	77,613	77,203	410
Housing Assistance Payments	290,247	101,250	188,997
Other	1,364	0	1,364
Net Change in Net Assets	79,314	(80,841)	160,155

During the year the Commission took 102 Section 8 Vouchers from an opt out; therefore, our HUD funding increase \$ 259,164, our administrative cost also increased as we hired a full time Section 8 occupancy specialist, and increased the Housing Assistance Payments \$ 188,997.

Our cash position increased \$ 444,784 and our liabilities increased \$ 354,427 due in large part to an over payment of Housing Assistance Payments of \$ 368,157. During the year, HUD changed the year end reporting and no longer processes HUD forms which would reconcile such over payments; therefore, the over payment may remain with the Commission, we will await further instructions from HUD regarding the over payment.

Our capital assets increased by the same amount as our current year Capital Fund Project increase; we completed a roof replacement on our senior high rise.

Net Assets increased by the same amount as the net income for the year, \$ 79,314.

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, and Capital grants authorized and obligated during the year.

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2005</u>	<u>Year 2004</u>
Low Rent Public Housing	60	60
Housing Assistance Program	122	20

### **General Fund Budgetary Highlights**

The Commission approved an operating budget on April 15, 2004 for the fiscal year ending June 30, 2005, we had no occasion to amend the budget. No significant differences between budget and actual were noted during the year.

### **Entity Wide Capital Assets**

The fixed assets increased \$ 122,312 prior to depreciation; we replaced the roof on our senior building.

### **Commission's Position**

The Commission plans to use the Capital Fund Program to replace our emergency generator and to supplement our operating fund.

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

Sara Coulter, Executive Director  
Lapeer Housing Commission  
544 North Saginaw  
Lapeer Michigan 48446

***John C. DiPiero, P.C.***

Certified Public Accountant

P. O. Box 378  
Hemlock, Michigan 48626  
Tel / Fax (989) 642-2092

Board of Commissioners  
Lapeer Housing Commission  
576 Liberty Park  
Lapeer, Michigan 48446

### **Independent Auditor's Report**

I have audited the financial statements listed in the Table of Contents of the Lapeer Housing Commission as of and for the year ended June 30, 2005. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lapeer Housing Commission as of June 30, 2005, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Required Supplemental Information**

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

### **Combining Financial Statements**

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

October 26, 2005



LAPEER HOUSING COMMISSION  
Statement of Net Assets  
June 30, 2005

ASSETS

C-3007

CURRENT ASSETS

Cash & Cash Equivalents	\$	473,642	
Accounts Receivable		13,953	
Prepaid Expenses		<u>12,177</u>	
Total Current Assets	\$		499,772

NON CURRENT ASSETS

Land	\$	56,400	
Buildings		1,218,086	
Furniture, Equipment- Dwellings		22,836	
Furniture, Equipment- Administrative		69,905	
Leasehold Improvements		786,034	
Accumulated Depreciation		<u>(1,143,385)</u>	
Total Non Current Assets			<u>1,009,876</u>

<u>TOTAL ASSETS</u>	\$	<u>1,509,648</u>
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LAPEER HOUSING COMMISSION  
Statement of Net Assets  
June 30, 2005

**LIABILITIES**

**C-3007**

CURRENT LIABILITIES

Accounts Payable	\$	7,801	
Accrued Wages & Payroll Taxes		8,774	
Accounts Payable- HUD		368,157	
Accounts Payable- Other Government		7,591	
Compensated Absences		1,261	
Tenants Security Deposit		15,336	
Deferred Revenue		40	
Accrued Utilities		<u>6,911</u>	
<u>Total Current Liabilities</u>	\$		415,871

NONCURRENT LIABILITIES

Compensated Absences		<u>11,356</u>	
<u>Total Liabilities</u>	\$		<u>427,227</u>

**Net Assets:**

Investment in Fixed Assets net of Related Debt	\$	1,009,876	
Unrestricted Net Assets		<u>72,545</u>	
<u>Total Net Assets</u>			<u>1,082,421</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements.

LAPEER HOUSING COMMISSION  
Combined Statement of Revenues, Expenses, and Changes in Net Assets  
For the year ended June 30, 2005

<u>OPERATING REVENUE</u>	<u>Business Type Activities</u>
Tenant Rental Revenue	\$ 166,850
Tenant Revenue- Other	2,693
HUD Grants	597,604
Interest Income	3,943
Other Income	<u>7,883</u>
 <u>Total Operating Revenue</u>	 \$ 778,973
 <u>OPERATING EXPENSES</u>	
Administrative	\$ 126,796
Tenant Services	210
Utility Expenses	76,425
Ordinary Maintenance	107,772
General Expenses	<u>21,960</u>
 <u>Total Operating Expenses</u>	 <u>333,163</u>
 <u>Operating Income (Loss)</u>	 \$ 445,810
 <u>NONOPERATING REVENUES (EXPENSES)</u>	
Housing Assistance Payments	\$ (290,247)
Casualty Losses	1,954
Extra Ordinary Maintenance	(590)
Depreciation Expenses	<u>(77,613)</u>
 <u>Total Nonoperating (Expenses)</u>	 <u>(366,496)</u>
 <u>Change in Net Assets</u>	 \$ <u>79,314</u>
 Total Net Assets- Beginning	1,083,948
Prior Period Adjustment:	
HUD adjustment of Prior year Funding	<u>(80,841)</u>
 Adjusted Beginning Balance	 \$ <u>1,003,107</u>
 Total Net Assets- Ending	 \$ <u>1,082,421</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements.

LAPEER HOUSING COMMISSION  
Combined Statement of Cash Flows  
For the Year Ended June 30, 2005

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 169,508
Payments to Suppliers	(96,237)
Payments to Employees	(113,099)
HUD Grants	597,604
Other Receipts (Payments)	<u>11,826</u>
Net Cash Provided (Used) by Operating Activities	\$ 569,602

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(124,818)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 444,784
Cash Balance- Beginning of Year	<u>28,858</u>
Cash Balance- End of Year	\$ <u>473,642</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ 79,314
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	77,613
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	(13,951)
Investments	59,801
Prepaid Expenses	(1,576)
Changes in Liabilities Increase (Decrease):	
Accounts Payable	1,750
Accrued Liabilities	(3,256)
Accounts Payable- HUD	367,793
Accounts Payable-Other Governments	(597)
Accrued Compensated Absences	1,620
Security Deposits	1,053
Deferred Revenue	<u>38</u>
Net Cash Provided by Operating Activities	\$ <u>569,602</u>

The Accompanying Notes are an Integral part of the Financial Statements

LAPEER HOUSING COMMISSION  
Notes to Financial Statements  
June 30, 2005

NOTE 1: Summary of Significant Accounting Policies

**Reporting Entity-**

Lapeer Housing Commission, Lapeer, Michigan, (Commission) was created by ordinance of the city of Lapeer. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 103-001	Low rent program	60 units
MI 103	Section 8 Vouchers	122 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

**Basis of Presentation-**

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## Notes to Financial Statements- continued

### Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

### Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1999, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1999, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not conflict with the Governmental Accounting Standards (GASB) pronouncements.

### Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

### Assets, Liabilities, and Net Assets-

#### Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and undesignated fund balance components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts	\$ 111,506
Money Market Fund	362,036
Petty Cash	<u>100</u>
Financial Statement Total	\$ <u>473,642</u>

Notes to Financial Statements- continued

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash:					
Checking A/C's	\$ 111,506	\$	\$	\$ 111,506	\$ 111,506
Money Market A/C's	362,036			362,036	362,036
Petty Cash	<u>100</u>			<u>100</u>	<u>100</u>
Total Cash	\$ <u>473,642</u>	\$	\$	\$ <u>473,648</u>	\$ <u>473,648</u>

In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Note 3: Accounts Receivable

Accounts Receivable consist of the following:

Accounts Receivable- Tenants	\$ 37
Accounts Receivable- HUD	<u>13,916</u>
	\$ <u>13,953</u>

Note 4: Prepaid Expenses

Prepaid expenses consists of unexpired insurance premiums.

Note 5: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 56,400	\$	\$	\$ 56,400
Buildings	1,218,086			1,218,086
Furniture & Equipment-Dwellings	22,836			22,836
Furniture & Equipment-Admin	71,366		1,461	69,905
Leasehold Improvements	<u>662,261</u>	<u>124,818</u>	<u>1,045</u>	<u>786,034</u>
	\$ 2,030,949	\$ 124,818	\$ 2,506	\$ 2,153,261
Less Accumulated Depreciation	<u>1,068,278</u>	<u>77,613</u>	<u>2,506</u>	<u>1,143,385</u>
	\$ <u>962,671</u>	\$ <u>47,205</u>	\$	\$ <u>1,009,876</u>



Notes to Financial Statements- continued

Note 6: Account Payable HUD

The Section 8 Voucher Program was advanced \$ 368,157 for the development of newly acquired voucher opt out program; however, the funding was not timely to fill the new vouchers. However, due to changes in the reporting and year end settlement requirements established by HUD, no reconciliation is required, therefore, the funds may belong to the Commission and not be due to HUD. Until further instructions are received from HUD, the excess will be reported as an account payable-HUD.

Note 7: Pension Plan

The Commission participates in the City of Lapeer pension plan; however, at the time of the audit, no Commission employees were eligible for the plan.

Note 8: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 9: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 10: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 6,580,000
General Liability	1,000,000
Errors & Omissions	1,000,000
Automobile	1,000,000
Worker's Compensation and other riders:	
Coverage's required by the State of Michigan	

## Lapeer Housing Commission

30-Jun-05

MI100

Combining Balance Sheet		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Capital Projects Funds 14.872	TOTAL
Line Item #					
	<b>ASSETS:</b>				
	<b>CURRENT ASSETS:</b>				
	Cash:				
111	Cash - unrestricted	60,330	413,312	-	473,642
112	Cash - restricted - modernization and development	-			-
113	Cash - other restricted				-
114	Cash - tenant security deposits				-
100	Total cash	60,330	413,312	-	473,642
	Accounts and notes receivables:				
121	Accounts receivable - PHA projects				-
122	Accounts receivable - HUD other projects	-	-	13,916	13,916
124	Accounts receivable - other government				-
125	Accounts receivable - miscellaneous				-
126	Accounts receivable- tenants - dwelling rents	37			37
126.1	Allowance for doubtful accounts - dwelling rents				-
126.2	Allowance for doubtful accounts - other				-
127	Notes and mortgages receivable- current				-
128	Fraud recovery				-
128.1	Allowance for doubtful accounts - fraud				-
129	Accrued interest receivable				-
120	Total receivables, net of allowances for doubtful accounts	37	-	13,916	13,953
	Current investments				-
131	Investments - unrestricted	-			-
132	Investments - restricted				-
142	Prepaid expenses and other assets	12,177			12,177
143	Inventories				-
143.1	Allowance for obsolete inventories				-
144	Interprogram - due from	42,258	-	-	42,258
146	Amounts to be provided				-
150	TOTAL CURRENT ASSETS	114,802	413,312	13,916	542,030
	<b>NONCURRENT ASSETS:</b>				
	Fixed assets:				
161	Land	56,400			56,400
162	Buildings	1,218,086			1,218,086
163	Furniture, equipment & machinery - dwellings	22,836	-	-	22,836
164	Furniture, equipment & machinery - administrative	65,071	-	4,834	69,905
165	Leasehold improvements	629,788		156,246	786,034
166	Accumulated depreciation	(1,137,026)	-	(6,359)	(1,143,385)
160	Total fixed assets, net of accumulated depreciation	855,155	-	154,721	1,009,876
171	Notes and mortgages receivable - non-current				-
172	Notes and mortgages receivable-non-current-past due				-
174	Other assets				-
175	Undistributed debits				-
176	Investment in joint ventures				-
180	TOTAL NONCURRENT ASSETS	855,155	-	154,721	1,009,876

	LIABILITIES AND EQUITY:				
	LIABILITIES:				
	CURRENT LIABILITIES				
311	Bank overdraft				-
312	Accounts payable ≤ 90 days	7,291	510		7,801
313	Accounts payable > 90 days past due				-
321	Accrued wage/payroll taxes payable	8,774	-		8,774
322	Accrued compensated absences	1,261			1,261
324	Accrued contingency liability				-
325	Accrued interest payable				-
331	Accounts payable - HUD PHA programs		368,157		368,157
332	Accounts Payable - PHA Projects				
333	Accounts payable - other government	7,591	-	-	7,591
341	Tenant security deposits	15,336			15,336
342	Deferred revenues	40	-		40
343	Current portion of Long-Term debt - capital projects				-
344	Current portion of Long-Term debt - operating borrowings				-
345	Other current liabilities	-			-
346	Accrued liabilities - other	6,911			6,911
347	Inter-program - due to	-	28,342	13,916	42,258
310	TOTAL CURRENT LIABILITIES	47,204	397,009	13,916	458,129
	NONCURRENT LIABILITIES:				
351	Long-term debt, net of current- capital projects				-
352	Long-term debt, net of current- operating borrowings				-
353	Noncurrent liabilities- other	-			-
354	Accr. Comp. Absences- non current	11,356			11,356
350	TOTAL NONCURRENT LIABILITIES	11,356	-	-	11,356
300	TOTAL LIABILITIES	58,560	397,009	13,916	469,485
	EQUITY:				
501	Investment in general fixed assets				-
	Contributed Capital:				
502	Project notes (HUD)	-			-
503	Long-term debt - HUD guaranteed	-			-
504	Net HUD PHA contributions	-			-
505	Other HUD contributions				-
507	Other contributions	-			-
508	Total Contributed Capital	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	855,155	-	154,721	1,009,876
	Reserved fund balance:				-
509	Reserved for operating activities				-
510	Reserved for capital activities				-
511	Total reserved fund balance	-	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-	-
512.1	Unrestricted Net Assets	56,242	16,303		72,545
513	TOTAL EQUITY	911,397	16,303	154,721	1,082,421
600	TOTAL LIABILITIES AND EQUITY	969,957	413,312	168,637	1,551,906

**Proof of concept**

- - - -

Depreciation Add Back

# Lapeer Housing Commission

30-Jun-05

MI100

Combining Income Statement		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Capital Projects Funds 14.872	TOTAL
Line Item #				-	
	<b>REVENUE:</b>	-	-		
703	Net tenant rental revenue	166,850			166,850
704	Tenant revenue - other	2,693			2,693
705	Total tenant revenue	169,543	-	-	169,543
706	HUD PHA grants	82,378	371,507	143,719	597,604
708	Other government grants				-
711	Investment income - unrestricted	1,214	2,729	-	3,943
712	Mortgage interest income				-
714	Fraud recovery				-
715	Other revenue	7,883	-	-	7,883
716	Gain or loss on the sale of fixed assets	-			-
720	Investment income - restrictec				-
700	<b>TOTAL REVENUE</b>	261,018	374,236	143,719	778,973
	<b>EXPENSES:</b>				
	Administrative				
911	Administrative salaries	25,000	48,863	-	73,863
912	Auditing fees	2,700	-		2,700
913	Outside management fees				-
914	Compensated absences	482			482
915	Employee benefit contributions- administrative	10,955	1,000	-	11,955
916	Other operating- administrative	16,192	21,303	301	37,796
	Tenant services				
921	Tenant services - salaries				-
922	Relocation costs	-			-
923	Employee benefit contributions- tenant services				-
924	Tenant services - other	210			210
	Utilities				
931	Water	18,042			18,042
932	Electricity	32,702			32,702
933	Gas	25,681			25,681
934	Fuel				-
935	Labor				-
937	Employee benefit contributions- utilities				-
938	Other utilities expense	-			-
	Ordinary maintenance & operation				
941	Ordinary maintenance and operations - labor	39,236			39,236
942	Ordinary maintenance and operations - materials & other	8,804		-	8,804
943	Ordinary maintenance and operations - contract costs	42,538		-	42,538
945	Employee benefit contributions- ordinary maintenance	17,194			17,194
	Protective services				
951	Protective services - labor				-

952	Protective services- other contract costs				-
953	Protective services - other				-
955	Employee benefit contributions- protective services				-
	General expenses				
961	Insurance premiums	14,369			14,369
962	Other General Expenses	-			
963	Payments in lieu of taxes	7,591			7,591
964	Bad debt - tenant rents				-
965	Bad debt- mortgages				-
966	Bad debt - other				-
967	Interest expense				-
968	Severance expense	-			-
969	<b>TOTAL OPERATING EXPENSES</b>	261,696	71,166	301	333,163
970	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	(678)	303,070	143,418	445,810
971	Extraordinary maintenance	590			590
972	Casualty losses - non-capitalized	(1,954)			(1,954)
973	Housing assistance payments		290,247	-	290,247
974	Depreciation expense	73,278		4,335	77,613
975	Fraud losses				-
976	Capital outlays- governmental funds	-			-
977	Debt principal payment- governmental funds				-
978	Dwelling units rent expense				-
900	<b>TOTAL EXPENSES</b>	333,610	361,413	4,636	699,659
	<b>OTHER FINANCING SOURCES (USES)</b>				
1001	Operating transfers in (out)	19,646		(19,646)	-
1002	Operating transfers out	-		-	-
1003	Operating transfers from/to primary government			-	-
1004	Operating transfers from/to component unit				-
1005	Proceeds from notes, loans and bonds				-
1006	Proceeds from property sales				-
1010	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	19,646	-	(19,646)	-
1000	<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES</b>	(52,946)	12,823	119,437	79,314

LAPEER HOUSING COMMISSION  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2005

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
<u>CFDA 14.850 Public and Indian Housing</u>	
C-3007 Operating Subsidies	\$ <u>82,378</u>
* <u>CFDA 14.855 Housing Assistance Programs</u>	
C-3007 Section 8 Housing Choice Vouchers	\$ <u>371,507</u>
<u>CFDA 14.872 Capital Projects Grants</u>	
C-3007 Capital Projects Funds	\$ <u>143,719</u>
	\$ <u>597,604</u>

\*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 6,580,000
General Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders:	
minimum coverage's required by the State of Michigan	

LAPEER HOUSING COMMISSION  
Status of Prior Audit Findings  
June 30, 2005

The prior audit of the Lapeer Housing Commission for the period ended June 30, 2004, contained two audit findings; the corrective action taken by the Commission is as follows:

- 1) Tenant Accounting Discrepancies- Section 8; files reviewed this year did not reveal any discrepancies.
- 2) Tenant Accounting Discrepancies- Low Rent Program; files reviewed this year did not reveal any discrepancies.

LAPEER HOUSING COMMISSION  
Report on Compliance with Requirements  
Applicable to Each Major Program  
and on Internal Control over Compliance in  
Accordance with OMB Circular A-133  
June 30, 2005

Compliance

I have audited the compliance of Lapeer Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Lapeer Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lapeer Housing Commission's management. My responsibility is to express an opinion on Lapeer Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lapeer Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Lapeer Housing Commission's compliance with those requirements.

In my opinion, Lapeer Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control over Compliance

The management of Lapeer Housing Commission entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Lapeer Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

October 26, 2005

LAPEER HOUSING COMMISSION  
Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*  
June 30, 2005

I have audited the financial statements of Lapeer Housing Commission, Lapeer, Michigan, as of and for the year ended June 30, 2005, and have issued my report thereon dated October 26, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lapeer Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lapeer Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Lapeer Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

October 26, 2005

LAPEER HOUSING COMMISSION  
Schedule of Findings and Questioned Cost  
June 30, 2005

1) Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Housing Choice Voucher Program	X	
Capital Projects Funds		X

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted \_\_\_\_\_ Yes        X   No

Reportable condition(s) noted \_\_\_\_\_ Yes        X   No

Non Compliance material to financial statements noted \_\_\_\_\_ Yes        X   No

Report on compliance for Federal programs-

Unqualified

Material weakness(es) noted \_\_\_\_\_ Yes        X   No

Reportable condition(s) noted \_\_\_\_\_ Yes        X   No

Non Compliance material to financial statements noted \_\_\_\_\_ Yes        X   No

Thresholds:

Dollar limit used to determine type A & B programs-   \$ 300,000

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Program	No	None	N/A
Housing Choice Voucher Program	Yes	None	N/A
Capital Fund Program	No	None	N/A